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# FUNDAMENTALS

*in the*

# DEVELOPMENT

*of our*

# ORGANIZATION

By  
GEORGE H. BUSHNELL  
*Vice-President and Comptroller*  
*J. C. Penney Company*



Address delivered at the St. Louis,  
St. Paul, Portland and Salt Lake City  
Conventions of the J. C. PENNEY  
COMPANY - - - - April, 1922

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by  
J. C. PENNEY COMPANY

To  
MY WIFE

*Whose love, companionship  
and sympathetic understanding  
have been my constant  
inspiration.*

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# Fundamentals *in the* Development of Our Organization

## I

### Introduction

**G**ENTLEMEN: It is impossible for me to express how deeply I appreciate the privilege of conferring with you in this Convention. I am gratified to have the opportunity not only to discuss our mutual business interests with you but to renew old acquaintances and to establish new friendships; in short, to come in contact with you men on the firing line who are helping us to put things over.

We are a large Organization and we are destined to become still larger; to what extent the development of our business will proceed, we can neither foresee nor foretell. But I trust, whatever our growth may be, that we shall never lose that close personal contact with one another which, from the founding of our business, has been so prominent a characteristic of our Organization.

We are, as you all realize, a unique institution in that although we are essentially a close-working

partnership, the units of that partnership are widely scattered. Thus far in our history, the wide geographic area over which we operate has not been a bar to the intimate personal relationship upon which alone business thrives best. I bespeak, therefore, our mutual high evaluation of this friendship as an asset of the greatest worth. Let us guard it and cherish it, now and in the years to come, as a basic factor in our mutual endeavor.

It is my sincere desire to contribute in this address, so far as in my power lies, something of value to our mutual interests. To that end I am going to talk to you about a few matters which, in my mind, are fundamentally important to the well being of our business.

Our President, Mr. Sams, held four very successful Conventions in September, 1922. It is my wish that this Convention be equally successful. In order that it may be so, I must have the unqualified support of every man present.

Mr. Sams, in his address last Fall, explained fully and clearly all important factors that enter into our Articles of Incorporation; hence I do not think it necessary to take up much of your time with this matter.

At our Annual Stockholders' Meeting, held at Salt Lake City, January 16, 1922, we made one change in our Articles of Incorporation. We amended Article 8 by increasing the limit of our authorized capital stock from \$15,000,000 divided into 50,000 shares of Common and 100,000 shares Preferred, both at par value of \$100, to

\$20,000,000 divided into 100,000 shares of Common and 100,000 shares of Preferred, both at par value of \$100.

Up to the present time, we have issued \$3,626,000 Common stock leaving only \$1,374,000 unissued. For this reason, it was necessary to increase the amount of authorized Common stock in order to take care of future expansion.

As you know, we are authorized to issue \$10,000,000 in Preferred stock. We have already issued \$3,000,000 of Preferred stock. Of this amount we have retired \$300,000, leaving \$2,700,000 still outstanding. We have the privilege of issuing the remaining \$7,000,000 of Preferred stock whenever deemed necessary by our Board to do so. This leaves us in a very healthy position and quite secure so that we may meet any emergency.

## II

### Our Anniversary

I do not need to remind you, gentlemen, that we are arrived at an important point on the highway of our progress; important because it seems to bid us pause and reflect upon the many causes that have been active in transforming our humble and apparently inconspicuous beginning into an institution of nation-wide service value.

I am not going even to attempt to conduct you over the long journey from Kemmerer of 1902 to our business status of today. You are as familiar with the story of our beginning and of our growth as I am. We all know how simply Mr. Penney began, yet with what determination he persisted in making a practical demonstration of a great principle. He began at once to apply to the public and to his associates that enormously powerful fact of human relationship known as the Golden Rule.

Gentlemen, the Golden Rule has literally been our business partner for twenty years. The one outstanding fact of this Anniversary is that we have never knowingly nor wilfully departed from its demands as an applied moral law. I bespeak today, on the part of all of us, that we guard solicitously that commitment to the Golden Rule which we have so zealously maintained during all the years of our development. It has never failed to

give us right guidance and great increase in the past. Nor will its beneficent influence ever fail us in the future.

One essential phase of the principle of the Golden Rule which Mr. Penney put into operation from the beginning is that of *partnership participation*. All of you men are now present in this room through the persistent application of that Manager-partner rule which Mr. Penney determined was to be a fundamental principle of our Company. The standing of every one of you men was worked out long years before most of you knew of our Company and certainly before our Company knew of you. Yet, as new men came along in the development of our business, the basic plan of partnership participation was ready to take care of them, putting men as they proved worthy into positions of importance, giving them responsibility and later on, as they made good, giving them also the reward of that responsibility. What has been the result of this? We have today a body of men who do not, as in most institutions, work FOR the Company but who ARE the Company. There is no J. C. Penney Company aside from you men who have helped to create it. That is the underlying fact that testifies to the wisdom of our Founder.

I said, a moment ago, that we are today arrived at an important point on the highway of our progress. This, the year 1922, is, as you all know, the Twentieth Anniversary of our founding and,

naturally, I want to say a few words about this significant occasion.

Back in 1903, I was made Auditor of a company that operated over an extensive territory. A few years later my duties took me into this territory. I was in Preston, Idaho, when the first Golden Rule store was started there in a little shack way down from the main business district. I was there when this store was moved up the street to a better and larger location and I was there when it was moved to the location we now have in Preston—the best in the town.

I met Mr. Penney at the Pocatello station one night while waiting for a train. In 1911 he wrote me offering me a position as accountant. As a salary proposition this did not attract me but I had sized up Mr. Penney and his method of doing business and I thought I saw a big future in it for men who were willing to work hard and develop along with the Organization. I finally accepted with the understanding that there was not much work to do at the time and that I could probably get outside employment to fill up my spare hours. I was told that if I made good I would be taken care of. No promise, however, was made me.

Having had much varied experience, I found it would be worth much to me in my work with Mr. Penney and his associates. I entered upon my duties with interest but soon found, to my great surprise, that there was enough work, from

the start, to keep me busy from fifteen to eighteen hours every day. We had, at that time, nineteen stores to take care of. About all the equipment I had to work with was an old standing desk. Everything was written in longhand. When I needed a pencil I went out and bought one for a penny and so with other necessities. This taught me a very good lesson in economy which I have never forgotten and which I still practise.

I entered into the spirit of the work. We began to develop a simple system of accounting which would take care of all the needs of our stores. We are using the same simple system today. Of course, it has been improved each year materially and today, our Accounting Department is so organized that it can take care of any number of stores as well and efficiently as the number in operation at this time. It is my opinion that we have the best and most economical Accounting Department of any corporation in this country.

While my work has been largely with the Financial and Accounting Department, I feel that the experience I have had has given me an opportunity to know thoroughly the details of all the inner workings of our business.

But to return to our Anniversary: There are two ways of looking at it and what it means. By the one way we may with justifiable pride relate to one another our accomplishments of twenty years past and feel great satisfaction in what we have

done. By the other way we may regard our Organization today, and every day to come, as being built upon the firm foundation of twenty years of hard and conscientious labor which gives us entree to a future so great and important in all it holds for us as to make our present status seem insignificant.

Look at these figures:

	Total Sales	No. of Stores	Total Employees
1902	\$ 29,000.00	1	4
1912	3,000,000.00	34	325
1921	46,641,928.20	313	3,558

### III

#### Present

In an organization such as ours, self must be forgotten if we would accomplish the ideals that we stand for. We must sacrifice a little for the benefit of each other.

The best proof of the efficient management of our affairs is our annual statement for 1921 which all of you have seen.

Right here, men, I want to compliment you on this wonderful achievement. We were all taught a severe lesson in 1920, one that I feel sure we shall not forget and one that should be worth millions to the men of our future. We have, during the past year, made a noticeable improvement in the conduct of our business. We have established a MERCHANDISE Department in charge of a man whom you all know as a man of the soundest judgment. Some of you have thought Mr. J. M. McDonald was issuing too many forms in this new department. Men, the results speak for themselves. By using these forms, you have been able to know more about the merchandising end of your store, or stores, than you have ever known.

We have added a REAL ESTATE Department with Mr. Glenn G. White in charge. This is a new department, one which is bound to be of much value to our Organization in the future. I must say for Mr. White that he is an untiring worker and is to be commended for progress made in the conduct of his department in the past year.

One of the best things accomplished in all the history of our business, in my opinion, was the formulation of a Bonus Plan for Women which was voted on by you unanimously and put into effect last year. This is another step forward.

We have this year added a SALES Department and, as I have already told you, Mr. G. G. Hoag will be at the head of this Department. This is another important development. The Sales Department will, I am sure, be an important factor in increasing the volume of our business.

Our decision to wait until after inventory before deciding on stores to be started was also another important step. By this measure we shall have actually in hand the concrete elements necessary for the starting of stores.

Another policy is the holding of the mother store responsible for its offspring. In other words, if a store started out of Kemmerer is in a bad financial condition, Kemmerer is held responsible and the funds accumulated in Kemmerer must be held in so far as is necessary to offset a deficiency in the store started from Kemmerer. This strengthens our structure which is building to such immense proportions and protects each and all of our classifications of Common stock.

Our general plan has not been changed in any single particular but rather has it been strengthened by the experiences we have had. Our building may go on and on. There is no limit but we must be sure that each new unit adds to our strength.

We have had two very hard years but we have put our house in order and should be ready to enjoy the prosperous times which seem to be in store for us. We have had some wholesome experience with city stores. Our success was made and is still making in the smaller town stores and it is my opinion that we should stick to average size towns and get a better than average location or go elsewhere.

Our present status shows that we have not reached the top of the ladder of success but the threshold of an open door. Our success, up to the present, has been a mere scratching upon the surface of the gold mine. All its great body of treasure still awaits our development.

## IV

### Our Future

Let me tell you a few convictions I have about our future. To begin with I am not one who thinks the future makes itself. When men are striving together, for a common purpose, they will plan their future, not too far ahead, and then they will seek to make their plans work out in reality. To put the shoulder to the wheel moves the wagon. To secure the help of the Lord we must get to work to help ourselves. Therefore, the future we are to get will be the fruit of the work we conceive and execute. I believe in the absolute justness of mathematical operations. My daily experience teaches me that. I believe that business yields pretty much what we put into it. If we neglect it, our reward is indifferent result or failure; if we pour into it the highest and best there is in us, we may secure practically anything within human reason.

You know the spiritual, mental and physical qualities characteristic of the leaders of our Organization. There must be no slackening, in the future, in the matter of the active exercise of these qualities; there must be no sagging, no letting up; no giving way to the tendency to make things easy through self-indulgence and the desire for self-entertainment.

Our success in the past did not just happen. It came as the logical result of hard work and conscientious endeavor. Our future success depends

on the same elements. But even the man who has worked well in the past will be entirely inadequate for the future unless he makes of himself a willing, serious and industrious student of the new conditions which will ever confront him and us in future years.

Let me say, right here, that the pioneers of this great Organization made this wonderful opportunity for other men by doing the work when necessary, whether it took ten or eighteen hours a day to do it. I do not think it necessary for a man to work eighteen hours every day. In fact, I know he cannot keep it up. I do believe, however, that we should crowd as much work into every hour of a day as we possibly can. If we will do this, it will not be necessary for us to work every night. Stay on the job when needed. Set an example to the men coming on. I never ask anyone to do anything that I would not willingly do myself. Get in and set a pace that your men and women will follow. I believe all of us should take a vacation and play hard but when we come back we should dig in and work hard.

Team work is the biggest factor in any phase of organized effort, in any activity where two or more persons are working for the same end.

## V

### Character

Character is the mark of what a man is and shows itself on all occasions. Character is power, influence. It makes friends, creates funds, draws patronage and support. It opens a sure way to wealth, honor and happiness. It is the crown and glory of Life. It is human nature in its best form and its possession should be the highest object of one's life. Character distinguishes the somebody from the nobody, the thoughtful and considerate from the heedless and selfish.

Every man holds the elements of his future character in his own grasp. It is for him to crush the weak side which yields to temptation and neglect and to build up the strong, manly side which bids defiance to wrong influences.

Whatever is worth doing is worth doing well and, certainly, the trials one must experience as he forges character are worth the best effort of any man's life.

The well-equipped merchant of the future will be the man who has learned how to observe, investigate, compare; who knows how to study business conditions, who knows that the business of the country and of the world at large directly affects his store; who knows that he must keep intelligently abreast of the times in order to put the most into and get the most out of his community.

The future of our Organization devolves upon you Managers more than upon anyone else. Development of our future Managers is up to you. It is your responsibility. The success or failure of these men largely depends upon you. You must diligently train your men so that our expansion may go on without being delayed by the lack of men who should be coming along or by the poor management of half-trained men. Do not recommend to the Board of Directors that we elect a man to managership unless you feel sure that the man will reflect your training in his management and in the development of the men in his store. I can see a thousand J. C. Penney Company stores within a very few years, all manned with thoroughly competent men. Ten years from now I can see our Organization the largest chain store system of any kind in the world, not only larger in number of units but larger in its service-giving capacity to the public, greater in its influence for the moral uplift of every community in which we operate and stronger financially than any mercantile institution in existence.

## VI

### New Stores

Our financial development has been a revelation to the largest banking and financial institutions of our country. I can remember when we borrowed \$50,000 and thought our credit standing was wonderful. Today we can borrow \$5,000,000 or more, without collateral. This is a remarkable achievement in such a short space of time.

You understand that we never borrow a dollar for the starting of new stores; that is why we are so strong financially today. Each store has to produce enough money to start a new store before any expansion is allowed. I sincerely hope this plan will always be carried out, thus maintaining the very strongest financial position. By so doing, our security will always be assured. Hence, it is necessary that every Manager know enough about accounting and finance to enable him to analyze his position at any time. This is essential for the security and future growth of our Company. This is not all. Our Managers must train their men so that they, too, may be able to analyze the financial position of a store at any time.

If you have in your store men who are future Managers, show confidence in them by giving them additional responsibilities, thus developing them, so that when they go out as Managers they shall be fully equipped mentally with all the essentials necessary for good management. Every Manager must support the whole Organization and

never lean upon it. Our Organization will be stronger in the future if every man is strong; it will have less than its full strength if even a single Manager fails to stand upon his own feet, fails to take into his own hands the entire cycle of problems which business of the future will bring. Do not allow anyone to deflect you, in your management, from plans laid down by your leaders. Follow out our plan in every detail.

## VII

### Man Training

*This is the great problem that confronts us.* From the stock room to Manager-partnership, there is a curriculum of activity as definite as a University course of study which every new man must master before he knows our business in all its details. It is, therefore, conclusive that the Manager who is only partially familiar with our problems is necessarily handicapped in his efforts to help build our Organization.

The individual store is our entire Organization in miniature. A man must acquire knowledge, skill and all around ability. To do this a man's time and mind will be fully occupied and, if his mind is busy, his future will take care of itself.

You have all, no doubt, read Elbert Hubbard's story "*The Message to Garcia*." You will remember that President McKinley sent a man to deliver a message to General Garcia, somewhere in Cuba, during the Spanish-American War. This man was not told how to deliver the message nor where he would find General Garcia. He took the message, however, and, after many hardships, delivered it to General Garcia whom he found somewhere in the jungles of Cuba. He might have asked many questions about how and where he was to deliver the message but, instead of that, he went ahead and placed it in the hands of the man for whom it was intended. Men, we want men who will **DELIVER THE MESSAGE TO GARCIA**, men

who will finish well the job that they undertake; men who will think and develop mentally.

We are spending annually a large sum of money in our Educational Department through THE DYNAMO and the Business Training Course. Our DYNAMO is published solely to keep before you and your associates the great vision of practical possibilities of our Company. The Business Training Course is essential to every person in our Organization for his ultimate success. Make it clear to the new man that our business methods must train him; that is, he must be willing to be trained by our business methods until he comes actually into unison, spiritually and mentally, with our principles and problems.

Train your men carefully and patiently. Remember they are your partners of the future. We are in business to build men as well as to build surplus of money. Both are essential to our mutual success but the man comes first, for all else depends upon his character, vision and industry.

Some of our Managers have been thinking much more about the store they are going to have and about getting out with their interest, than about the man who is to succeed them. This, in my opinion, is selfishness and, unless these men change their attitudes at once, their success and progress will be retarded. This means that they will hold back our whole Organization. Be generous with your men. Discuss our methods with them. Make them feel that you are interested in them and that you want to help them gain all the knowledge necessary for the efficient conduct of our business.

Our Managers of tomorrow must be bigger men than the Managers of today if we are to strengthen our structure in its building. Our Organization will grow in strength only in accordance with the same measure of productive work done by its Managers and their associates.

MAN BUILDING is the keynote of industry today. It has been made a vital principle by leading industrial organizations and the successful engineer or architect is one who rejoices to build a man and develop him to handle the work that is required to be done.

## VIII

### Business Conditions

Some of our stores have shown a falling off. We have no control over the conditions causing this. It is not a satisfying condition. When business is on the increase, expenses will take care of themselves. If business decreases, it is necessary to evolve ways and means of relative reduction in operating expenses. We are paying larger salaries than we did a few years ago. This, as you know, is on account of abnormal conditions. I believe that, rather than cut salaries, we should try to do more work with less help, thus reducing our overhead.

We have been going through a period of depression and readjustment. The depression, we are thankful to observe, is gradually being relieved but the readjustment is still in progress. Stay on the job when you are needed. Give some of your duties to your next man in line. Lead your sales force. Set the pace. We must give more than we have ever given before to the furtherance of our business structure. Let us have a few more sacrifice hits in our business. I tell you, men, they help. We have got to hit the ball on the nose every time that we come to bat if we are to maintain our profits where they should be.

*Prosperity is coming back.* Keep on your toes and be ready to receive it when it arrives. Watch every item of expense and keep it down to the

minimum. Let us work a little harder and get along with fewer tools. Economy is thrift. Prescribe it freely to your associates in the store.

## IX

### Economy and Thrift

It is not only essential but necessary that our Managers conduct their individual and personal affairs economically. Exercise thrift in the home and you will exercise it in business. As surely as you encourage waste and extravagance in the home you will do the same in business.

You should use every effort to develop thrift and economy within the circle of your associates in the store. By so doing you are making a big step forward in their training to be successful J. C. Penney Company Managers.

Learn to save. Put away an amount each month. Get the saving habit. It is one of the best habits in the world. Unless a man understands and practises economy and thrift, he cannot be entrusted with the handling of any part of the affairs of any business. Do not spend your money before you earn it. Live within your limits. You will get more out of life by doing so and will be a greater asset to our Organization and to your community.

Your mode of living will have a powerful influence over the men associated with you. The example you set will be reflected by your men and your men's men.

## X

## Faith and Unselfishness

Last November I contributed an article to THE DYNAMO entitled *Faith and Unselfishness*. To my mind, these words express vital principles in the welfare of our Organization.

In business, it is impossible for a man to work alone. Even if he could do so, he would have no right to do what he pleases with the business he builds up for the reason that there enters into life the obligation to be a good steward over what we create and possess. Any organization is stronger than the individual; the chain is stronger than the link. In our business a man must be a good merchant, a good salesman, a good buyer, a good accountant. He must advertise in the right way; he must be a student of men and affairs. No one man can do all these things. He can, however, enjoy expert knowledge of them all when he becomes a J. C. Penney Company Manager.

He has, at his disposal, in the various departments of our Organization, expert buying, expert accounting, expert judgment in the hiring of men, expert advice upon finances; in fact, all the essentials necessary for the successful conduct of his business affairs.

I believe that individual ambition must forever step aside in favor of that ambition which builds the great business organization itself but which,

in the building, rewards every one in proportion to his contribution.

Every man should desire to secure an interest in our business but he should not be in too great a hurry to do this. The ultimate success of our business depends upon our guaranteeing its security through wise and patient work. We must be convinced that the selfish motive is always destructive, that impatience in building means a weakened structure. If you find yourself influenced by impatience or selfishness, eliminate it and, in its place, establish faith that reward will come to you at the proper time and in the right way.

Do you men who are acquiring an interest in our business ever stop to realize that you get your interest at par; that no good will is charged you and that you are allowed to pay for this interest out of earnings as produced? Surely this shows that the policy of our Company is unusually liberal and unselfish.

Our happiest moments should be when we forget ourselves in useful and constructive effort.



## XI

### Turnover

In my opinion, Turnover is one of the most vital factors to the success of our business. If all of its relations are taken into consideration, it probably is the most important factor.

If merchandise is overbought, the season will pass leaving in stock a surplus of merchandise far above that needed. This means, at inventory time, the necessity for mark-downs and sacrifices even on cost prices in order to get rid of this surplus stock.

It is far better to be conservative and buy less than to overbuy. Transportation facilities are good at nearly every point of our distribution and, if you find yourself low on some merchandise, it is a simple matter to get small quantities of any commodity quickly.

Let me give you the elements of expense and waste involved in slow Turnover:

First: Invested money is the source of profit which, in turn, depends upon the amount of goods in stock and the length of time these goods are carried; hence, to double the Turnover means doubling the amount of stock without increasing the investment.

Second: We pay interest on all borrowed money. Most merchants have to borrow money sometime during the year. If merchandise can be turned (or sold) in three months instead of six months, the interest on a given loan is reduced in the same proportion.

Third: Mark-downs are required for the reason that too much merchandise has been bought; it may have become soiled or shop-worn from handling or a change in style may have left it on our shelves.

Fourth: Salaries and wages must be included in arriving at mark-down, such as waste of time by Manager in arriving at mark-down and when to put into effect, waste of time by sales force in efforts to move, re-writing tickets and the many other necessary operations in the effort to move the stock.

Fifth: We are considered large distributors of new merchandise and our prestige and reputation is lowered by unstylish or shop-worn goods.

Sixth: Inefficiency always results in waste. The Manager, in buying merchandise, often makes mistakes from lack of knowledge as to the stock and the rapidity or slowness with which it is moving. This shows the necessity of some plan to eliminate such errors. There is only one method of reducing this condition to a minimum and that is through records of purchases and sales which can be consulted at any time and which will give a complete analysis of the situation when wanted.

Men, right here, let me say this: We have gone on year after year without insisting that our Managers report sales by departments. The time is not far distant when this will be required. In my opinion, it is absolutely necessary in order that we may merchandise intelligently. We have tried to

get along without this information, knowing that it would mean more work for each of you. This year we are asking you to show Department H sales, as well as shoes. I believe we should know the sales of Department E; Department A; Department C; in fact, of all departments. Otherwise, how are you to know which department purchases are lagging and not moving?

In any event, by knowing the sales and purchases of each department, we shall soon know what to do to increase Turnover. By knowing the results of each department, we may intelligently work out a plan to put any department that is *losing money* on a paying basis or, if necessary, we can eliminate such a department.

To do this, it is not necessary actually to partition off each department as in large department stores. I would recommend to our Sales Manager that he, in some way, have sales slips made by departments. The cashier could have a large sales sheet and know by this the daily sales of each department. This could be reported on in the last report for the month.

A very great need, too, is the increased knowledge of what constitutes the proper mark-up in all departments. To average a given gross profit on sales, an intelligent method must be used to get at the mark-up for each class of merchandise.

A feeling of confidence is the first necessity for successful selling. Merchandise which drags must have a deterrent effect upon those who attempt to dispose of it. Slow selling merchandise must

be marked so that your sales force may recognize it immediately and use every effort to dispose of it, in order that it may not be carried indefinitely and depreciation taken on it later on. All slow moving merchandise should be watched closely, to ensure that future purchases of that class be made with more caution.

## XII

### Charts

Let me, at this point, explain to you some charts which I have made up from four of our own stores. These charts will help to illustrate many of the points I have tried to bring out in regard to Turnover.

The chart shown on page 37 is made up from our actual stores' figures for 1921. The sales and profits, however, are changed enough so as to conceal the identity of the stores. We have used average stores whose gross profit is between 20% and 25%. The average invested capital consists of Common and Preferred stock and surplus—less money loaned to the Company.

The stores used in this chart were selected especially for the purpose of showing plainly what Turnover means to final results. In other words, the four stores have practically the same amount of average invested Capital or \$25,000. Their percent of gross profit on merchandise is practically the same. Their percent of expense on sales is about the same. Their average merchandise stock compares favorably.

\$400,000

375,000

350,000

325,000

300,000

275,000

250,000

225,000

200,000

175,000

150,000

125,000

100,000

75,000

50,000

25,000

\$25,000 Average investment earned before compensation and Government taxation

\$12,214.91  
or  
48.85%

\$2,800  
or  
11%

\$14,000  
or  
54%

\$23,000  
or  
88%

\$34,000  
or  
133%

39

D  
Sales  
\$332,000

Profit and  
Expense

Cost of sales  
\$260,000

8

Turn-over

\$32,262.82  
Average  
invested in  
merchandise

C

Sales  
\$252,000

Profit and  
Expense

Cost of sales  
\$198,728.12

5 1/8

Turn-over

\$38,678.55  
Average  
invested in  
merchandise

B

Sales  
\$142,000

Profit and  
Expense

Cost of sales  
\$111,289.54

3 3/4

Turn-over

\$29,334.79  
Average  
invested in  
merchandise

A

Sales  
\$68,000

Profit and  
Expense

Cost of sales  
\$53,490.82

2 1/4

Turn-over

\$23,421.79  
Average  
invested in  
merchandise

AA

Sales  
\$117,638.25

Profit and  
Expense

Cost of Sales  
\$93,687.16

4

Turn-over

\$23,421.79  
Average  
invested in  
merchandise

\$400,000

375,000

350,000

325,000

300,000

275,000

250,000

225,000

200,000

175,000

150,000

125,000

100,000

75,000

50,000

25,000

0

## EXPLANATION REFERRING DIRECT TO CHART

The scale at the left, marking every \$25,000, governs the placing of the lines in the drawing.

### TABLE A

The lower space covers the average investment in merchandise throughout the fiscal year, which is \$23,421.79, and brings the line on the scale just below \$25,000.

The next space above is the Turnover space, the important space in this comparison. It is once and a quarter as large as the lower space. The \$23,421.79 merchandise was turned once in the lower space, once again in this Turnover space, and one fourth more was turned again in the same space, making the total turnover  $2\frac{1}{4}$  times. That runs the cost of the merchandise up to this line slightly above \$50,000; to be exact, to \$53,490.82.

The top space designates profit and expense, which we are not endeavoring to explain

A

Sales
\$68,000
Profit and Expense
Cost of sales
\$53,490.82
$2\frac{1}{4}$
Turn-over
\$23,421.79
Average invested in merchandise

in this comparison. This space runs to the line slightly below \$75,000. This shows sales for this store of \$68,000.

You will note the Turnover space is small compared with the lower space (average investment in merchandise), because the Turnover is small and the profits were small, being only \$2,800 before compensation and Government taxation. Consequently this store made only 11% on its average invested capital of approximately \$25,000 before compensation and federal taxes.

The reason I use figures before deduction of compensation and federal taxes is because it is the most fair comparison. Naturally, the more profit a store makes, the more compensation and federal taxes it has to pay, so the only fair comparison is to be made before these deductions.

TABLE B

Here the Turnover space is much larger. The average, \$29,334.79, stock has been turned  $3\frac{3}{4}$  times, bringing the cost up

<b>B</b> Sales \$142,000	
Profit and Expense	
Cost of sales \$111,289.54	
$3\frac{3}{4}$	
Turn-over	
\$29,334.79 Average invested in merchandise	

\$400,000
375,000
350,000
325,000
300,000
275,000
250,000
225,000
200,000
175,000
150,000
125,000
100,000
75,000
50,000
25,000
0

\$400,000
375,000
350,000
325,000
300,000
275,000
250,000
225,000
200,000
175,000
150,000
125,000
100,000
75,000
50,000
25,000
0

<b>C</b> Sales \$252,000	
Profit and Expense	
Cost of sales \$198,728.12	
$5\frac{1}{8}$	
Turn-over	
\$38,678.55 Average invested in merchandise	

<b>D</b> Sales \$332,000	
Profit and Expense	
Cost of sales \$260,000	
8	
Turn-over	
\$32,262.82 Average invested in merchandise	

to \$111,289.54, the sales to \$142,000. The profits have increased to \$14,000, which is 54% on its average invested capital of \$25,000.

TABLE C

Here the Turnover space is still greater. The average, \$38,678.55, stock has been turned  $5\frac{1}{8}$  times, bringing the cost up to \$198,728.12, the sales to \$252,000. The profits have increased to \$23,000 or 88% on its average invested capital of \$25,000. This store, you will please note again, had an average stock of \$38,000 on a \$25,000 capital. The profits that accumulated from quick Turnover made this possible.

\$400,000

375,000

350,000

325,000

300,000

275,000

250,000

225,000

200,000

175,000

150,000

125,000

100,000

75,000

50,000

25,000

0

TABLE D

Here the Turnover space is much larger than any of the others. The average, \$32,262.82, stock has been turned eight times, bringing the cost up to \$260,000, the sales to \$332,000. The profits have increased to \$34,000 or 133% on its average invested Capital of \$25,000.

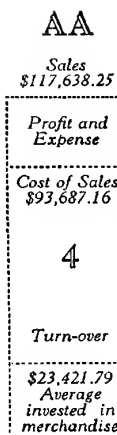
In my opinion, this chart shows the need of carefully watching Turnover and the necessity of increasing it.

As a further comparison, I want to go back to Table A on the chart. (See pg. 39.)

TABLE AA

Suppose this first store (with its gross profit of between 20% and 25%) had come up say only to the average and had turned its stock four times. You see the result in Table AA.

The sales have increased to \$117,638.25. The profit and expense space is larger, due to greater profit. The Turnover space is larger because the stock has been turned more. The cost



of merchandise sold is \$93,687.16. The average merchandise stock is the same. The average invested Capital is the same, \$25,000. It now earns \$12,214.91 against \$2,800 or 48.85% against 11%.

In other words, having turned a \$23,421.79 stock four times in place of  $2\frac{1}{4}$  times with the same invested capital and the same percent of expense, the profits are increased \$9,414.91 and the money invested is earning 37.85% more.

Men, these figures speak for themselves and show you conclusively just what Turnover means.

Average Turnover for department stores in 1920 was 5.83. In 1921 it was 1.58.

Now, men, let us make our average Turnover seven to eight times for 1922.

I KNOW WE CAN DO IT.

## XIII

### Gross Profits

In analyzing the results from our operations during the past few years, we find a decline in our average gross profit. This is in part due to conditions over which we have no control. In the main, however, this decline is of our own making.

We must mark our merchandise carefully and see that our average gross profit is maintained in all stores. It is very necessary that our mark-up on merchandise sold be enough to take care of any depreciation to be taken at the end of the year on unseasonable or unsalable merchandise. This is very important and necessary if we are to maintain our healthy position.

Figure out amount of depreciation taken on your inventory last year by departments on a percentage basis. Add such percentage in each department, to the percentages sent you by the New York office. Unless we do this, there is a great danger of our average gross being much below necessary average to make a reasonable and satisfactory net profit.



## XIV

### The Personal Factor in Business

A great danger in any business, unless a man watches carefully, is to lose one's self in details. When this happens to a Manager, it is pretty sure that his associates will follow and all get in a rut. It is a human tendency, once a man is thoroughly familiar with his work, to let go, slow up or fall below par.

The psychology back of it all is simple. Familiarity with the operations of business tends to become automatic; then the automatic action standardizes itself as routine. Routine, or the mechanical operation of business, spells stagnation and death to it, for it means that some channels of improvement are being ignored. Routine, when it governs *every* department of a business, inhibits initiative. We do not want nor can we allow our business to be run by machines. We want human intelligence and initiative.

For example, let us again consider Turnover. How is it established? By two factors.

First: By the voluntary business that comes to a store.

Second: By the business that is attracted to the store by initiative shown by advertising, by salesmanship, by offering merchandise at right prices, by quality and adaptability of goods to the needs of a customer.

In the average store, Turnover is established in the first few years, attains a standard and, there-

after, remains more or less stationary. The Manager must forever be at work to enlarge his business or the rate of Turnover will remain at about the same percentage. Turnover is the great factor that creates profit for the merchant without increase of principal. The merchant who makes the fatal mistake of getting into a rut in the conduct of his business has sounded his death knell.

Men, let me impress upon you the fact that no man who fails to be a student of fundamental business conditions can manage one of our stores. There is nothing painful nor difficult about this. It has been pointed out to you many times that there is a wide difference between serving the customers who just naturally come into our stores and so conducting our business that we can induce many people to enter our stores. Increasing the number of our patrons or customers is the result of what I shall call good merchandizing. By this I mean an intelligent study of every factor that enters our kind of business activity.

Every one of our stores is the SERVICE CENTER of a geographic territory. This territory may be compact or it may be scattered; it may appeal, as most of our stores do, to men, women and children or it may, like some other of our stores, find its customers to be from 60% to 80% women.

As quickly as one of our stores is established in a town, the Manager's biggest and most important job is to study that community. The more closely he can provide for its needs, the more essential the store becomes to all classes of the buying public in his territory and the more intelligently he will

buy. You will see, therefore, that the study of the community in which you are located is most important.

We know we can serve the communities in which we operate in a manner that is mutually profitable. To do this, however, you Managers must picture yourselves as standing between your customers on the one hand and our buying organization and the Company as a whole on the other. Thus, by real team work, we shall learn how to sell to more and more people.

Men, do not think we are unappreciative of your efforts but, frankly, I do not believe that we get the business out of our communities that we should have. This unrealized margin of business can come to us only by a thorough, constant, intelligent study of the people themselves; their homes, their amusements, the industries that provide them work, the banking activity, the competition; in brief, everything that is active and vital to our success.

We cannot expect to secure 100% of possible business but, if we are Go-Getters, we shall go after 100% with all the skill, knowledge and initiative that there is in us. We have a right to expect more and still more of the business in our communities. We should aim to expand our territory; that is, we should continue to reach a wider circle of people. Why not? We can do much for the public that is to its advantage. Our buying power and low overhead make it possible to sell for less. We give the best values possible for the price. We keep new and serviceable goods

constantly on the move toward our customers. In short, it would seem that we have every advantage as retail merchants to serve the public to its satisfaction and profit. The merchant who is wise enough to know what his community demands and supplies that demand intelligently, will do the greatest volume of business.

Every associate, in every one of our stores, must be fully alive to the necessity of so meeting the public that we shall build up a larger business through service, quality, values, and permanent satisfaction.

Men, we must not hire "clerks" or "help." We must build up an army of highly trained associates. Every one must appreciate his place in our Company so much that he sells the customer not merely merchandise but the whole service giving power and purpose of our Organization. Remember, the operations involving many people depend, for the largest measure of success, upon an intelligent grasp of what the Organization aims to accomplish.

The Golden Rule has been our ideal in our operations these past twenty years. No one in our Company can succeed without advancing the men working alongside and these men cannot advance unless they receive a definite training that is inspired by the purpose of the whole Organization. The man who is today successful in his position must grow along with the business or he will fail to measure up tomorrow or next week or next year, for, if he is stationary, business will pass him by.

Consider what the demands of our business will be in another ten or twenty years. Nothing less than incessant study, hard work, ability to master problems and to meet new conditions will answer in the men of the future. In other words, we cannot advance with what we have or with what we are. We must be Go-Getters, growing, improving, or we must step aside.

So, men, every operation in our business spells Man Building. Our Founder and his associates were pioneers. They set up a new standard, inaugurated a new idea, set out to make a new application of an old principle. They were investigators and workers because they were pioneers.

There is more need to Carry On today than there ever has been.

Every man coming into our Organization does so with the expectation of bettering himself. He must, however, have the same desire to make our Organization better and stronger. He must not come in with only the thought of how much he will take out. If he does, he will not take much. He must put forth every effort to assist in the building of the whole and, by so doing, his individual monetary success will naturally take care of itself.

Service always brings its reward. In the proportion that we give we shall receive.

I have said that the Managers of the future must be better men than our Managers of today. This is not all. The Directors and Officers of the future must be bigger men than those of today. You men are our Officers and Directors of the

future and, in order that you may qualify, it is necessary that you give these matters your most careful thought and attention.



## XV

### Our Purpose for the Future

Men, as stated in the beginning, we are arrived at the Twentieth Anniversary of our founding. I do not want to conclude this talk without reminding you of a very important fact. It is this: To reach our present standing in twenty years is a great achievement. We have today a wonderful business. But our business of today is not merely an accomplishment. It is a responsibility. It is not the top of the hill—in fact, we have just started our real climb. If we sit down, fold our hands and feel contented with what we have, we shall soon find we haven't it. An undeveloping business soon goes up in smoke.

The real significance of our Anniversary then is this. Today is not the conclusion of a twenty-year race, it is the starting point of another run in which we must beat every record we have ever made.

I cannot emphasize too strongly one danger. We must not be contented and satisfied with what we have. Content is the great enemy of progress. It means resting on our oars when we should be pulling hard to a new destination. Let us, then, go into the future and make good on the opportunities before us.

It is fine to think of the great opportunity that lies in the next twenty years, fine to think of hundreds of successful new stores, of our enormous volume of business, of closer buying and better

organization. But, wait a minute. What does this all demand of each of us? Here are some of the things it demands. Get these points inscribed on your memory so that they shall never get away from you.

1. Man Training must go on. It must be better man training than we have had in the past. We generally think of Man Training as applying to the other fellow. But that is not enough. Man Training, in our business, must include Self Training. It is most important that Directors, Officers and Managers of our Company never let up on themselves. We must be bigger men or our future will mean absolutely nothing to us. You see the reason. If the men at the top do not keep in training, there is no standard to inspire the men down along the line. We must keep everlastingly at ourselves to remain fit as business men bearing responsibility.

2. We shall never do the business that it is our right to expect until every Manager is a high-class salesman. Unless our Managers are the pace-makers in the selling of our merchandise, the average sales of our stores will be kept below par. You cannot expect anything different. But when a Manager goes in to hit a new high mark every month, he puts enthusiasm, energy, grit, determination into every one in the store. A good example is always contagious. Hit a high average of sales and see what results will follow. Set the pace and you will have a sales force on its toes, alongside of you all the time.

3. Be an inspirer of your associates. To set the pace is only one way of doing it. Let them see that you are a firm believer in hard work but make your work systematic. There is no credit to a man laboring eighteen hours a day if, by new methods and system, it may be cut to fourteen hours. Do not become slaves to drudgery and routine. Be efficient. You can do this by studying your work from every angle. Everything we all do can be improved. Seek improvement.

There are some other inspirations you must pass on to your associates: character, integrity, old-fashioned honesty, thrift and economy. Get these principles working in the family group of your store and remember this: No one in your store can be bigger than you are. You set the standard, so keep climbing.

4. Keep your men from being uneasy about getting started. Don't be uneasy yourself. The method by which our business takes care of its men makes it impossible for a good man to be sidetracked, unless he sidetracks himself. The main thing for all concerned is not how soon can a man get a store but how thoroughly prepared and equipped is he to take on the responsibility of a store. A man who thinks so hard about himself and about how soon he can become a partner in our business and who, at the same time, neglects to build himself and his store force into a group strong enough to have responsibility ought, in my judgment, never to have an interest. He is thinking only of self. To produce the best, he must forget self and actually make the prosperity he

wants to enjoy. Our business will expand and develop if we will all give it our talent, energy, hard work and the happiness of our hearts. But the moment we begin to worry about, "Where do I come in?"—well, you don't come in.

5. This brings us, in my opinion, to the most important matter I can bring before you. I mean the right attitude toward life. Men, when we look at it in the right way, life is a wonderful privilege. I believe most of us feel this. However, we do not know how to express our convictions about life and we forget. We forget the big truths, the big purposes, the big (and true) rewards that a man can have who will play the game in a fair and square way.

I have the same trouble in expressing myself about this that most men have but I am going to try and tell you a few of my convictions, for convictions generally constitute the chart by which a man sails the sea of life.

I believe we are created by a Divine Intelligence for a great purpose. That purpose is to be found in what we think and do as worthy of the gift of life. I believe we must keep true to the Divine Intelligence and thus find our manhood. I know, men, that we cannot find it in any other way. To keep true, we must work, do our best, serve our fellow men, find our own reward in what we do for others. No man can live true who is selfish. One of the most wonderful lessons of the Good Book is found in the words, *Freely ye have received, freely give*. This does not merely mean the giving of money and material things but help

and counsel; in fact, everything that permits us to build up the other man.

Again, the Good Book tells us the secret: *Love thy neighbor as thyself*.

Some storekeepers (I cannot call them merchants) look upon a town as a mine out of which they are going to take all the treasure they can without putting anything in except the pick and shovel and their hands. The Creator never intended us to do that. We live with one another to serve, to build, to inspire. This is our duty toward our communities. Once a man gets the right adjustment toward life, he will see that he can contribute his mite toward the great purpose through his store as other men can through their lines of work.

There is no great and no small except this: A man is free to do what he should do in a great way or in a small way. That is his choice. If, however, he chooses the small way, let him not complain if he fails to get the reward of the great way. This is just as true for us as it is in the plans of the Creator. We get what we give, no more, no less. I trust that you see, then, the enormous range of influence that lies in a broad interpretation of the Golden Rule.

Furthermore, what solidity, satisfaction and power come to one who so adjusts himself toward life and toward his work that it may be said of him:

He is a true Golden Rule man.

## XVI

### Conclusion

It has been a great pleasure to me to spend these two days with you men. I appreciate the opportunity I have had of speaking to you collectively, no less than that of conferring with you individually.

Before we bring this Convention to a close, I want to spend a few minutes in reviewing the benefits which it seems to me we should receive from these conferences. It is these benefits that will carry us forward, until we meet again, with broader understanding of our purpose and policies, with better methods of business operation and with a clearer goal before us as to the purpose of our work.

We shall have to fight for our share of the business in the cities and towns in which we operate harder than ever before. We shall probably never see as easy times as we had in 1918 and 1919.

To accomplish that will require a higher type of merchandizing than business in easy times demanded. We must push two factors of operation to the extreme: (1) Effort; (2) Economy.

Effort means we must wake up and realize the necessity for creating business, by going after it, by being, as they say, real Go-Getters.

This requires of us imagination, energy, persistence and careful study. Then will service, alertness and courtesy, developed to the highest degree, build team work that can put things over.

It is a wonderful thing to find the spirit of brotherly love and cooperation at work in a business organization. Institutions imbued with this same team spirit are in no danger of being out-distanced by any competitor. The only way such team spirit can be developed is through the elimination of personal pride, selfishness and jealousy. Only big men, men of broad vision, kindly tolerance and personal humility, can make a place for themselves in our Organization. The individual who thinks only of getting and never of giving, who is always willing to take but never put is the rotten strand in the rope of human endeavor.

Economy means many things. One is cutting out waste. Little leaks make big losses. Eternal vigilance is necessary to keep leaks from happening. Watch out for little losses. One a day in one store means three hundred a year or over a hundred thousand a year in all our stores. If there are ten leaks in one store in one day, that means over a million a year in all stores. Men, in these days we must have the courage and common sense to stop these leaks.

There is another economy no less important than the leakage of material values and that is the leakage of time. As I have said to you already, set the pace for your associates. I do not mean by this that we should be slave drivers. I mean that every minute of the day should be utilized.

To secure the volume of business we must have, I am convinced, is going to be done only by hard work and cutting out waste motion. Good judg-

ment, right mark-up, rapid turnover, good stock-keeping, skilful salesmanship, all require the right use of time.

Actual experience, day by day, has put stern realities before all business men. We must face them courageously. They mean just one thing: we must be alive and busy all the time. We are no longer business doers; we must be business builders and getters. Therefore, economize time; use every minute of it productively.

I believe this time of business depression, through which we have passed, has been a wholesome experience for every one of us. When things go too smoothly, when prosperity seems to cause little effort, life is too easy for us. We get soft and weak and flabby. Stern times make stern men. Stern times call out the manhood in men.

When a man cannot respond to the demands of business readjustment, when he cannot adapt his methods, his operations and himself to the new turn of things, there is only one possible consequence for that man. Business will eject him as something unsuited to its healthful continuance.

You have noticed that a few of the old familiar faces are missing at this Convention. This, let me say, has been brought about by business readjustment. Business cannot operate with men who are unwilling or incapable of obeying changing demands of the times. Some of our men, therefore, had to step aside in favor of others who are willing to take a strangle hold on the job.

Get this principle fixed in your minds, for it is

a fundamental one: Business itself, in the very spirit of its operating principle, gets rid of what it cannot use. No organization discharges men merely to exhibit its power to do so. An organization jealously guards all its good men, for they are its life and power. But inefficient men, men selfish of their own interests, incapable of adapting themselves to the stern realities of new conditions drop out by the business law of gravitation.

Let us determine that our work shall not find us wanting, that it shall find us willing to think, to labor and to sacrifice as never before. Let us realize that what our business needs is our loyalty to its integrity. Let us keep before us always the Golden Rule, live it and practise it every day of our lives.

In conclusion, let me read you some lines that express my sentiments very clearly:

#### A Living Sermon

I'd rather see a sermon than hear one any day;  
I'd rather one would walk with me than merely  
show the way.  
The eye is a better pupil and more willing than  
the ear;  
Fine counsel is confusing but example's always  
clear;  
And the best of all the preachers are the men who  
live their creeds,  
For to see good put in action is what everybody  
needs.

I can learn how to do it if you let me see it done;  
I can watch your hands in action but your tongue  
too fast may run;  
And the lectures you deliver may be very wise and  
true,  
But I'd rather get my lesson by observing what  
you do;  
For I may misunderstand you and the high advice  
you give,  
But there's no misunderstanding how you act and  
how you live.

\* \* \* \*

When I see an act of kindness I am eager to be  
kind;  
When a weaker brother stumbles and a stronger  
stays behind  
Just to see if he can help him, then the wish grows  
strong in me  
To become as big and thoughtful as I know that  
friend to be.  
And all travelers can witness that the best of guides  
today  
Is not the one that tells them but the one that shows  
the way.

\* \* \* \*

One good man teaches many men to believe what  
they behold;  
One deed of kindness noticed is worth forty that  
are told;  
Who stands with men of honor learns to hold his  
honor dear,

For right living speaks a language that to every  
one is clear.

Though an able speaker charms me with his elo-  
quence, I say:

I'd rather see a sermon than hear one any day.

—Selected.

Men, we who have come to meet with you thank  
you for your attention and the part you all have  
had in this Convention. May this be a very suc-  
cessful year to each and all of us.

